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The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* JOB GROWTH REMAINS SLOW
* BUT HOURS WORKED HAVE EXPANDED
* AND THE SLIDE IN INDUSTRIAL OUTPUT MAY BE OVER
* AS NEW ORDERS HAVE IMPROVED
* BUT THE TRADE DEFICIT IS WIDENING
* AS IMPORTS SURGE AND EXPORTS DECLINE
* OUTLOOK * SLUGGISH THIRD QUARTER FOLLOWED BY MODERATE ECONOMIC GROWTH IN THE FOURTH QUARTER

OVERVIEW: The economy simply stalled in the second quarter of 1986. The prospect is that it will be hard pressed to accelerate in the second half of the year.

By early Summer, it was clear that economic growth had slowed to a crawl. Consumer spending remained fairly vigorous but business investment was contracting and government spending was flat. Even the faint sign of some rise in manufactured exports proved to be a mirage. The economy actually expanded by a mere 0.6% annual rate, seasonally adjusted, in the second quarter.

That very sluggish pace of activity may have convinced the Federal Reserve to facilitate interest-rate reduction. An immediate, dramatic response was not anticipated. Indeed, the **Economic Forecasts** are indicating that real output is likely to rise at a 2.4% annual rate in the third quarter.

DOMESTIC MARKET MONITOR

The labor market continues mediocre at best. To be sure, service jobs are still opening up. Construction employment increased fairly sharply in August and even manufacturing firms hired a few workers. But labor force participation has fallen. Actually, the number of white, adult men in the labor force was no higher in August than last January. (The number of white, adult women, however, increased 2.5% over this period.) And the drop in the national unemployment rate results more from lower labor-force participation than from fewer unemployed people looking for a job.

Labor market conditions are generally not expected to improve sharply in the next few months. The Conference Board's **Help-wanted Index**, a measure of labor demand, was basically unchanged in July. Moreover, early returns to the August survey indicate that it may have fallen a little. Indeed, slow job growth to date may be one reason for declining labor-force participation. And now labor demand, as measured by The Conference Board's **Help-wanted Index**, appears to have lost some ground.

The drop in labor force participation could be a sign that households are less sure about continued economic expansion. Indeed, The Conference Board's **Consumer Confidence Index** fell to 90.2 (1985 = 100) in August, from 97.2 only 2 months earlier. Correspondingly, more respondents now say that jobs are harder to find.

Still, there was some good news coming out of the labor market. A few more workers and a slightly longer workweek resulted in a 0.7% rise in hours worked in nondurable manufacturing in August. There were no job gains to speak of in durable manufacturing but a longer workweek resulted in a 0.5% rise in hours. Nonmanufacturing hours also rose—especially in construction.

INCOME: The rise in hours should boost wage income. Further, hourly pay rates inched higher in August. The average hourly rate in private industry was $8.76 in August, up from $8.74 only 2 months earlier.

Wage-income growth has not been very fast. Wages in services were 1.7% higher in July than 3 months earlier and wages in government were 1.4% higher. But in the commodity-producing industries, wages were 0.5% lower. Overall, wage income was only 0.2% higher.

Nonwage income growth has slowed. Rental income is still rising sharply but interest income is not. And dividends were only 1.1% higher in July than 3 months earlier.

SPENDING: Slow income growth, and subdued borrowing, have not resulted in any measurable cutback in the rise of consumer demand. Nondurable retail sales were 0.9% higher in July than 3 months earlier. Durable sales, except cars and parts, were 1.7% higher. Car buying was flat in July but 2.9% financing encouraged sales in August. Spending on services has been rising as fast as retail buying in recent months.

CONSTRUCTION: Recent declines in home sales and starts notwithstanding, the housing market remains fairly robust. Granted, new, single-family home sales were one-

Ken Goldstein, Editor

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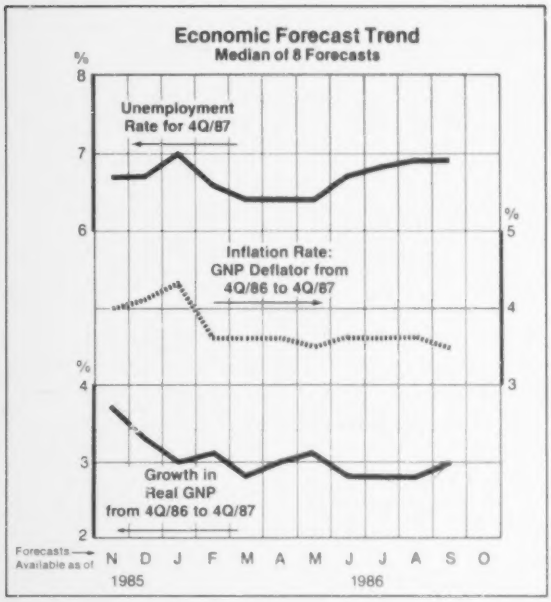


fourth lower in July than 3 months earlier. The decline was most pronounced in the Western states, but there is no indication that economic activity in the West is less expansive than in the rest of the country.

The decline in new, single-family housing starts was much less than the drop in sales. Single-unit starts were only 5% lower in July than 3 months earlier. Moreover, the rise in construction jobs in August indicates that home builders may step up activity.

Multi-unit construction has been weaker than single-unit construction. Multi-unit starts were 18% lower in July than 3 months earlier. Indeed, multi-unit construction has been soft all year and is not likely to strengthen—in part because proposed tax-law changes call for higher tax liability on rental income.

Nonresidential construction remains mired. The value of new, nonresidential investment was 2.3% lower in July than 3 months earlier—due to declines in commercial, office and industrial building. Moreover, the Commerce Department survey indicated that business investment intentions are for a 2½% decrease in spending this year.

PRODUCTION: The rise in jobs and hours in August may signal an end to the long slide in industrial production. That slide reflects depressed output of energy and other raw material, as well as lower output of business equipment. Energy output was 1.2% lower in July than 3 months earlier but total material output was 2.2% lower. Business equipment was off by 3.1 percent.

One reason for more hiring, and more hours worked, in August is the increase in new orders. New durable orders were 3% higher in July than 3 months earlier. To be sure, orders for defense material were sharply higher. But the important news is that nondefense, capital orders were 4.6% higher.

INVENTORY: Not only has the ordering rate improved, but industrial sales increased 0.5% in June. Thus, despite a 0.4% rise in inventory, the inventory-to-sales ratio remained unchanged. And the biggest bulge in inventory has been unsold cars. Those cars began to move in August with the new financing promotions.

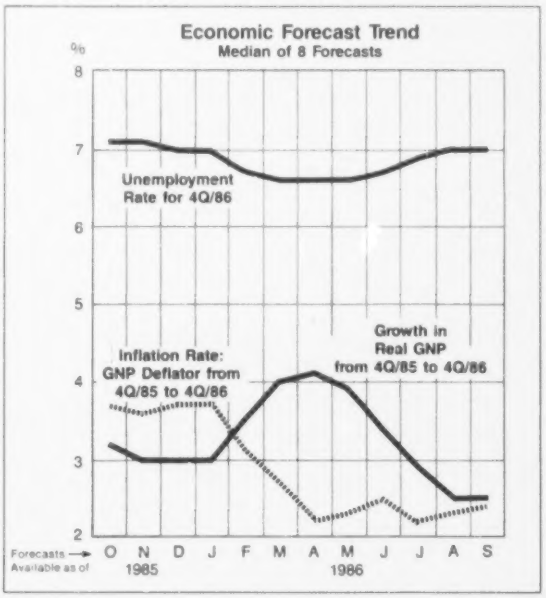
PRICES: After rebounding for 3 months, commodity prices dropped sharply in August. Raw material prices fell 6.9%, despite a 0.9% rise in metal prices. Food and textile prices fell sharply but neither is expected to remain on a downtrend. In fact, prices paid to farmers have been recovering. And the drought and heat this Summer will probably result in higher crop prices.

INTERNATIONAL MONITOR

There was a hint this past Spring that import growth was subsiding. The 13% rise in total imports over the last 2 months, however, suggests that import demand remains strong—especially for finished goods. Manufacturing imports were 16% higher in July than only 2 months earlier. Nor can the surge be blamed on a flood of new cars. Imports of transport equipment, except aircraft, were only 5.6% higher in July.

The trade balance worsened not only due to the rise in imports but to lower exporting. Manufactured exports were 5.3% lower in July than only 2 months earlier.

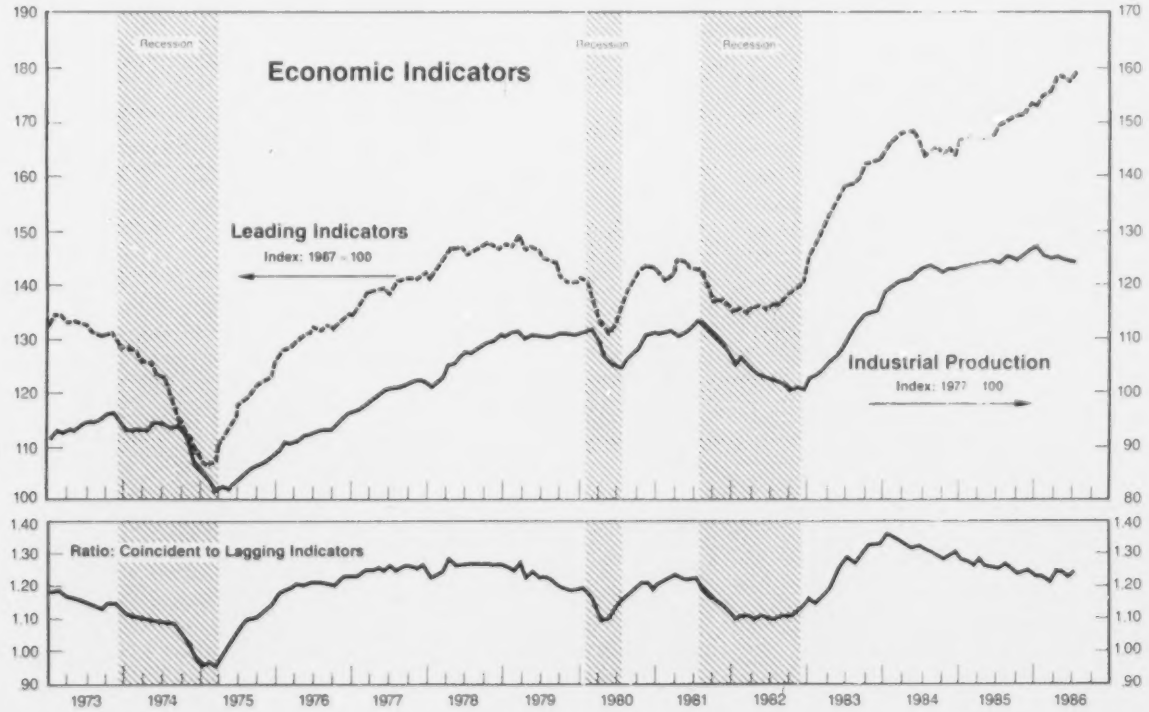
Ken Goldstein
September 15, 1986



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	July	X			0.6%	6.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	July	X			8.7%	4.2%
New orders, nondefense capital goods (deflated)	July	X			10.4%	8.2%
*New business formation	July		X		- 2.4%	3.3%
*Housing permits	July			X	- 3.7%	2.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	June		X		1.3%	2.2%
*Change in inventory, on hand & order (deflated)	June			X	-31.4%	2.5%
Purchasing agents' buying policy	Aug.		X		1.0%	- 2.0%
*Vendor performance, reported slower deliveries	Aug.		X		- 4.0%	9.0%
Industrial raw materials prices	Aug.			X	- 4.3%	-11.7%
*Change in sensitive material prices	July	X			1.2%	1.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	July	X			2.3%	4.1%
Change in business loans	July		X		17.9%	-39.0%
*Change in credit outstanding	July		X		2.3%	- 3.9%
Change in consumer installment debt	July		X		13.0%	-16.9%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q	X			4.2%	9.5%
*Common stock prices	Aug.		X		2.7%	30.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Aug.		X		0.1hr	0.2hr
*Initial unemployment claims (inverted)	Aug.		X		- 0.3%	- 1.1%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



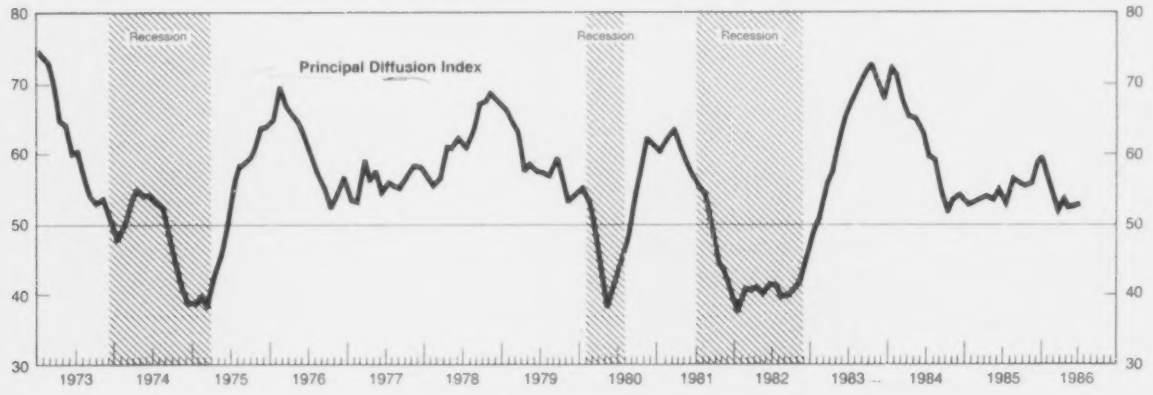
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985 Jul.	1986 Apr.	1986 May	1986 Jun.	1986 Jul.(e)
Principal Diffusion Index	56.0	53.9	52.1r	52.2r	52.8
Auxiliary Diffusion Index	53.9	59.6	44.1r	50.2r	52.0
Industrial Group	56.7	52.8	47.8r	49.6r	51.7
Nonindustrial Group	55.2	55.1	56.4	54.7r	53.9
Sense of Diffusion	1	1	0	0	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	57.7	63.2	63.2r	63.2r	63.7
Labor	57.6	52.9	45.6	45.4	48.5
Miscellaneous	53.2	36.5	30.1	39.7	41.7
Nonindustrial Subgroups					
Prices	48.1	53.8	61.5	68.6	67.3
Consumer	65.8	55.4	66.2	61.1r	56.0
Building	54.2	50.0	42.9	39.7r	33.0
Miscellaneous	50.0	49.1	52.1	49.1r	56.8

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983	*1984*				*1985*				*1986*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	74	70	65	61	57	61	52	51	55	61	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	80	76	75	70	57	62	48	45	53	63	61
2. Expectations for Economy, Six Months Ahead	73	67	60	57	57	61	53	53	56	62	62
3. Expectations for Own Industry, Six Months Ahead	70	67	61	57	58	61	55	54	56	59	60

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1984	1985				1986		Percent Change From Previous Year	
	IV	I	II	III	IV	Ir	IIp	1985 Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29.100	29.938	27.560	24.167	27.190	23.386	18.773	- 8	- 6
Capital expenditures	24.587	23.354	24.911	24.730	26.336	23.566	22.648	10	- 2
Change in appropriations backlog*	+2.302	+4.984	+0.529	-2.702	-2.594	-2.368	-5.845		
Durable Goods									
New appropriations	15.072	16.737	10.910	12.031	12.005	11.613	9.593	- 13	9
Capital expenditures	12.223	11.648	12.814	12.299	12.676	11.479	11.602	15	5
Change in appropriations backlog*	+1.797	+4.154	-2.515	-1.094	-3.063	-1.582	-3.434		
Nondurable Goods									
New appropriations	14.028	13.201	16.650	12.136	15.185	11.773	9.180	- 2	-20
Capital expenditures	12.364	11.706	12.097	12.431	13.660	12.087	11.046	6	- 9
Change in appropriations backlog*	+0.505	+0.830	+3.044	-1.608	+0.469	-0.786	-2.411		
ELECTRIC & GAS UTILITIES									
New appropriations	11.554	9.283	15.037	4.907	8.541	10.001		9	
Capital expenditures	9.337	8.925	9.248	8.952	8.333	9.263		- 3	
Change in appropriations backlog*	- 3.147	+0.293	+4.723	-5.052	-0.272	+0.523			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

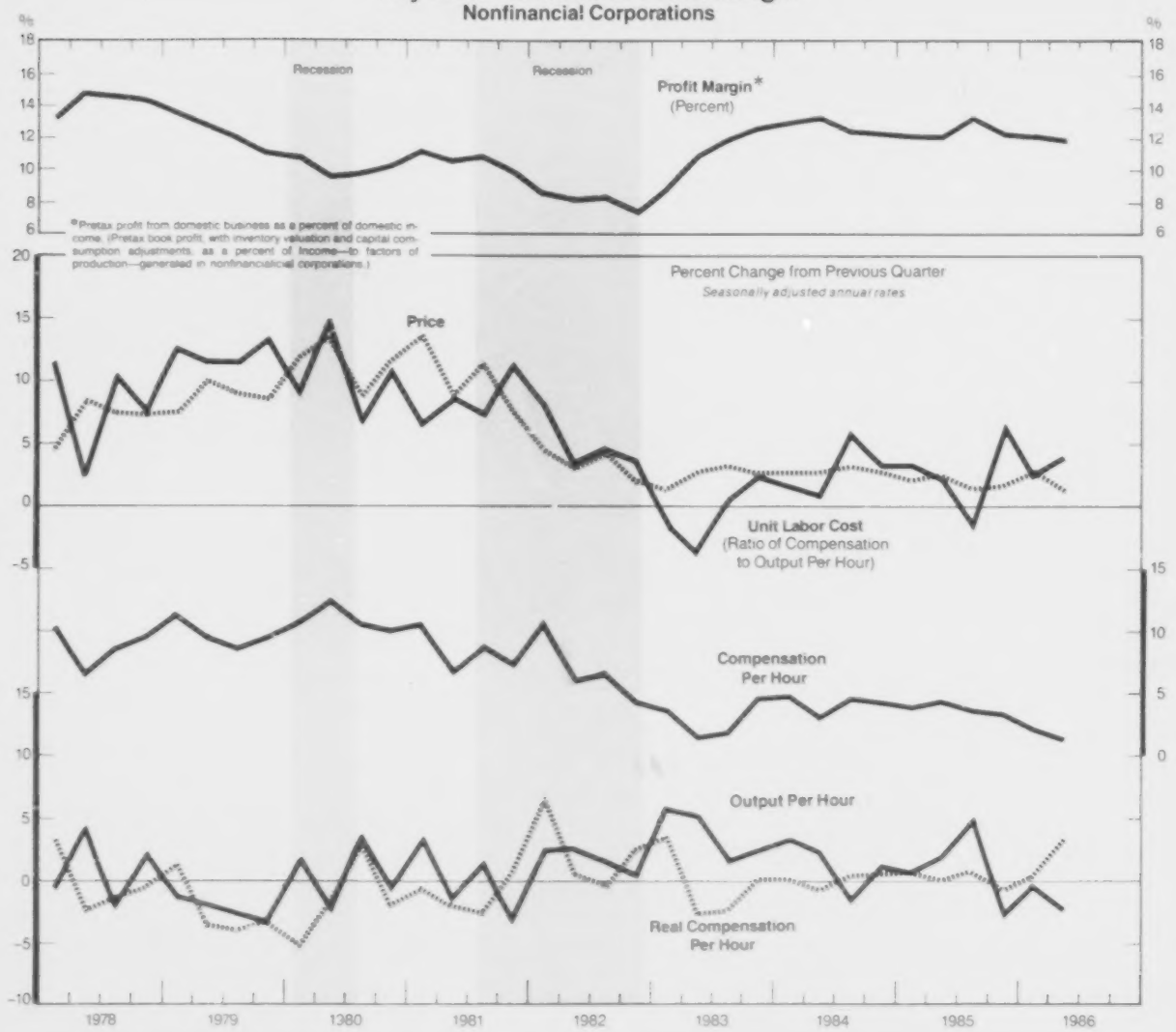
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments)

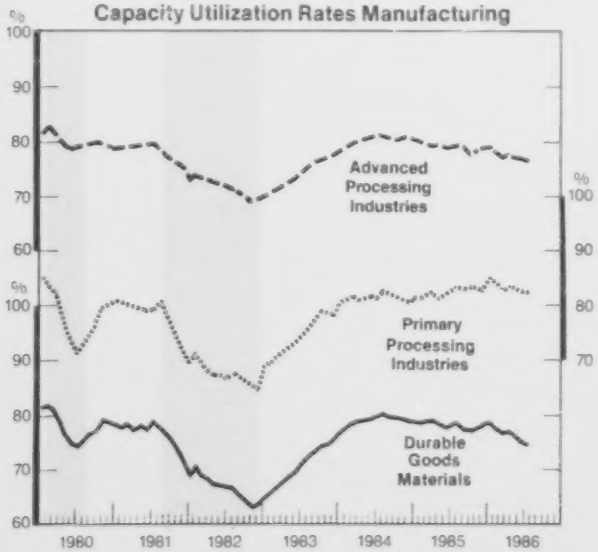
*Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin

Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Aug., 1986*		*Aug., 1986*		*Aug., 1986*		*Aug., 1986*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1986**	**II**	**$4179.8**	**3.0%**	**$4179.8**	**3.0%**	**$4179.8**	**3.0%**	**$4179.8**	**3.0%**
		III	4236.5	5.5	4221.4	4.0	4229.2	4.8	4232.2	5.1
		IV	4302.3	6.4	4244.9	2.2	4283.4	5.2	4293.5	5.9
	1987	I	4377.2	7.1	4292.6	4.6	4359.3	7.3	4363.2	6.7
		II	4471.5	8.9	4350.8	5.5	4444.8	8.1	4417.6	5.1
		III	4558.8	8.0	4418.3	6.4	4529.1	7.8	4473.9	5.2
		IV	4655.5	8.8	4488.0	6.5	4608.3	7.2	4530.3	5.1
	1988	I	4760.3	9.3			4671.2	5.6	4585.4	5.0
		II	4860.8	8.7			4728.3	5.0	4638.9	4.7
		III	4943.2	7.0			4784.6	4.8		
	1986	Annual	4217.0	5.5	4198.8	5.0	4210.4	5.3	4213.7	5.4
	1987	Annual	4515.8	7.1	4387.4	4.5	4485.4	6.5	4446.3	5.5
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1986**	**II**	**$3661.5**	**.6%**	**$3661.5**	**.6%**	**$3661.5**	**.6%**	**$3661.5**	**.6%**
		III	3694.3	3.6	3676.1	1.6	3684.0	2.5	3683.1	2.4
		IV	3726.5	3.5	3672.5	-.4	3715.0	3.4	3708.3	2.8
	1987	I	3762.0	3.9	3683.2	1.2	3758.0	4.7	3734.8	2.9
		II	3817.7	6.1	3701.9	2.0	3799.0	4.4	3744.7	1.1
		III	3860.0	4.5	3726.4	2.7	3835.0	3.8	3757.7	1.4
		IV	3907.4	5.0	3752.5	2.8	3866.0	3.3	3765.7	.9
	1988	I	3949.7	4.4			3883.0	1.8	3770.2	.5
		II	3990.6	4.2			3898.0	1.6	3774.6	.5
		III	4011.2	2.1			3909.0	1.1		
	1986	Annual	3684.6	2.8	3666.5	2.3	3679.1	2.6	3677.2	2.6
	1987	Annual	3836.8	4.1	3716.0	1.4	3814.5	3.7	3750.7	2.0
Gross National Product deflator Index, 1982 = 100										
Actual	**1986**	**II**	**114.2**	**2.4%**	**114.2**	**2.4%**	**114.2**	**2.4%**	**114.2**	**2.4%**
		III	114.7	1.8	114.8	2.4	114.8	2.3	114.9	2.7
		IV	115.5	2.7	115.6	2.6	115.3	1.8	115.8	3.1
	1987	I	116.4	3.2	116.5	3.4	116.0	2.5	116.8	3.7
		II	117.1	2.7	117.5	3.4	117.0	3.5	118.0	4.0
		III	118.1	3.4	118.6	3.6	118.1	3.8	119.1	3.7
		IV	119.1	3.6	119.6	3.5	119.2	3.8	120.3	4.2
	1988	I	120.5	4.7			120.3	3.7	121.6	4.5
		II	121.8	4.3			121.3	3.4	122.9	4.3
		III	123.2	4.8			122.4	3.7		
	1986	Annual	114.4	2.6	114.5	2.7	114.4	2.6	114.6	2.8
	1987	Annual	117.7	2.8	118.1	3.1	117.6	2.7	118.5	3.5
Unemployment Rate										
Actual	**1986**	**II**		**7.2%**		**7.2%**		**7.2%**		**7.2%**
		III		6.9		7.1		6.8		6.9
		IV		6.9		7.4		6.7		7.1
	1987	I		6.8		7.5		6.6		7.0
		II		6.5		7.5		6.6		7.0
		III		6.3		7.5		6.6		7.0
		IV		6.1		7.4		6.7		7.0
	1988	I		5.9				6.9		7.1
		II		5.6				7.0		7.1
		III		5.5				7.1		
	1986	Annual		7.0		7.2		6.9		7.1
	1987	Annual		6.4		7.5		6.6		7.0

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised second quarter data.

ECONOMIC FORECASTS (continued)

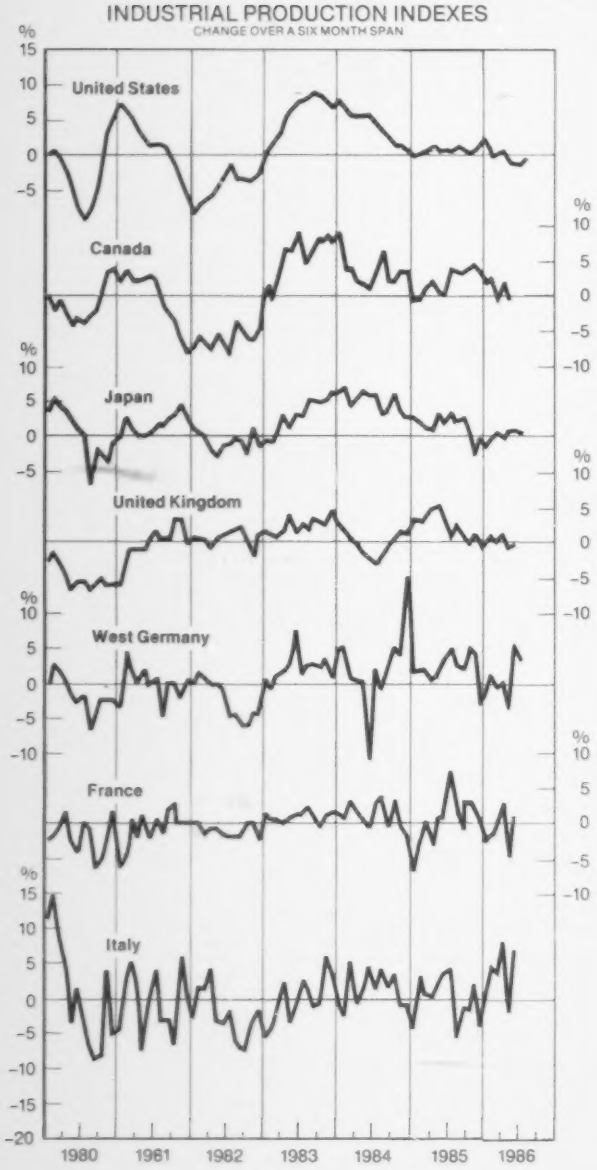
The Conference Board[1]		Chase Econometric[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Aug., 1986		*Aug., 1986*		*Aug., 1986*		*Aug., 1986*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4179.8	**3.0%**	**$4179.8**	**3.0%**	**$4179.8**	**3.0%**	**$4179.8**	**3.0%**	**II**	**1986**	**Actual**
4235.0	5.4	4229.7	4.9	4220.9	4.0	4230.3	4.9	III		
4290.0	5.3	4291.5	6.0	4272.3	5.0	4302.7	7.0	IV		
4339.0	4.6	4355.6	6.1	4324.8	5.0	4385.3	7.9	I	1987	
4398.0	5.6	4413.6	5.4	4393.7	6.5	4476.6	8.6	II		
4464.0	6.1	4486.7	6.8	4457.1	5.9	4560.7	7.7	III		
4539.0	6.9	4563.9	7.1	4530.5	6.8	4641.2	7.2	IV		
		4645.0	7.3	4611.6	7.4	4716.6	6.7	I	1988	
		4723.5	6.9	4691.1	7.1	4803.6	7.6	II		
		4809.7	7.5	4754.6	5.5	4890.0	7.4	III		
4213.5	5.4	4212.6	5.4	4205.6	5.2	4215.5	5.4	Annual	1986	
4435.0	5.3	4455.0	5.8	4426.5	5.3	4516.0	7.1	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
$3661.5	**.6%**	**$3661.5**	**.6%**	**$3661.5**	**.6%**	**$3661.5**	**.6%**	**II**	**1986**	**Actual**
3682.5	2.3	3686.8	2.8	3680.8	2.1	3683.1	2.4	III		
3701.8	2.1	3713.6	2.9	3702.7	2.4	3717.3	3.8	IV		
3714.8	1.4	3739.8	2.9	3719.9	1.9	3757.8	4.4	I	1987	
3736.2	2.3	3760.2	2.2	3756.8	4.0	3801.8	4.8	II		
3760.5	2.6	3786.7	2.8	3785.5	3.1	3836.3	3.7	III		
3789.6	3.1	3812.4	2.7	3821.6	3.9	3862.7	2.8	IV		
		3841.1	3.0	3851.0	3.1	3884.2	2.2	I	1988	
		3859.1	1.9	3883.6	3.4	3913.4	3.0	II		
		3889.2	3.2	3898.2	1.5	3938.4	2.6	III		
3675.4	2.5	3679.5	2.6	3675.2	2.5	3679.5	2.6	Annual	1986	
3750.3	2.0	3774.8	2.8	3771.0	2.6	3814.7	3.7	Annual	1987	
								Gross National Product deflator Index, 1982 = 100		
114.2	**2.4%**	**114.2**	**2.4%**	**114.2**	**2.4%**	**114.2**	**2.4%**	**II**	**1986**	**Actual**
115.0	3.0	114.7	2.0	114.7	1.8	114.9	2.5	III		
115.9	3.1	115.6	2.9	115.4	2.5	115.7	3.1	IV		
116.8	3.2	116.5	3.2	116.3	3.1	116.7	3.3	I	1987	
117.7	3.2	117.4	3.2	117.0	2.4	117.7	3.7	II		
118.7	3.4	118.5	3.8	117.7	2.7	118.9	3.9	III		
119.8	3.6	119.7	4.2	118.5	2.8	120.2	4.3	IV		
		120.9	4.1	119.8	4.1	121.4	4.3	I	1988	
		122.4	5.0	120.8	3.5	122.7	4.4	II		
		123.7	4.2	122.0	4.0	124.2	4.7	III		
114.6	2.8	114.5	2.7	114.4	2.6	114.6	2.7	Annual	1986	
118.2	3.2	118.0	3.1	117.4	2.6	118.4	3.3	Annual	1987	
								Unemployment Rate		
	7.2%		**7.2%**		**7.2%**		**7.2%**	**II**	**1986**	**Actual**
	7.0		7.0		7.0		7.1	III		
	7.1		7.0		7.0		7.0	IV		
	7.4		7.0		7.0		7.0	I	1987	
	7.5		7.0		7.0		6.8	II		
	7.5		7.0		6.9		6.6	III		
	7.4		6.9		6.8		6.5	IV		
			6.9		6.7		6.6	I	1988	
			6.9		6.6		6.7	II		
			6.9		6.5		6.7	III		
	7.1		7.1		7.1		7.1	Annual	1986	
	7.5		7.0		6.9		6.7	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

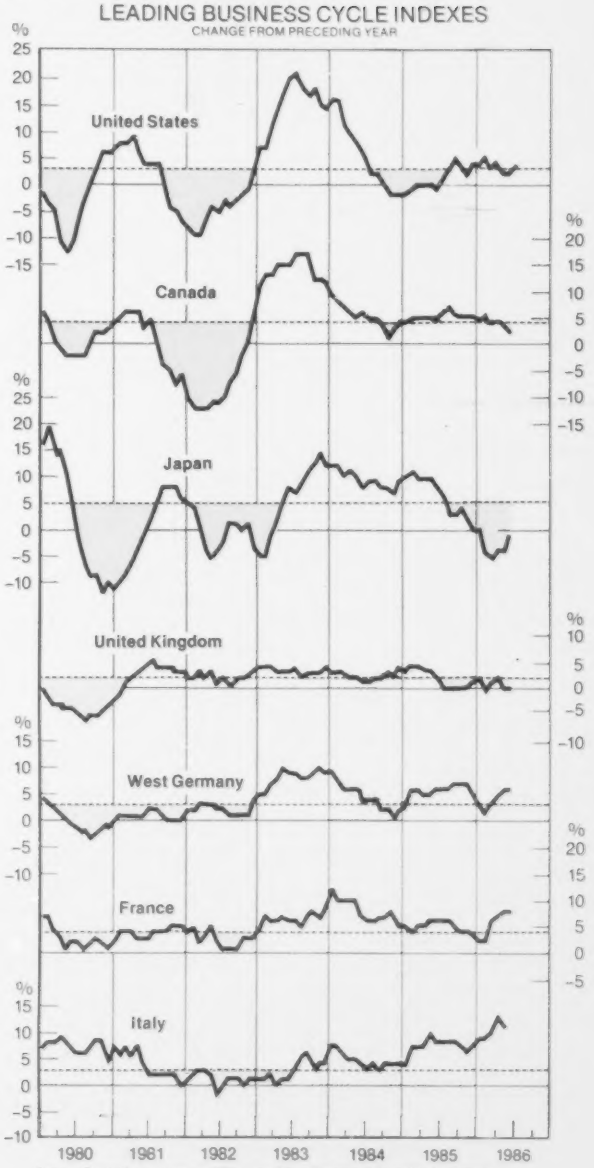
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

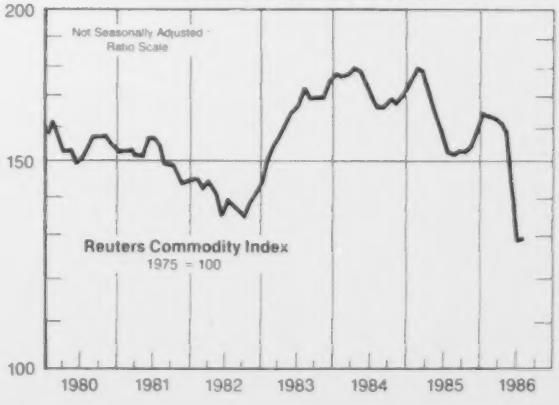
CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

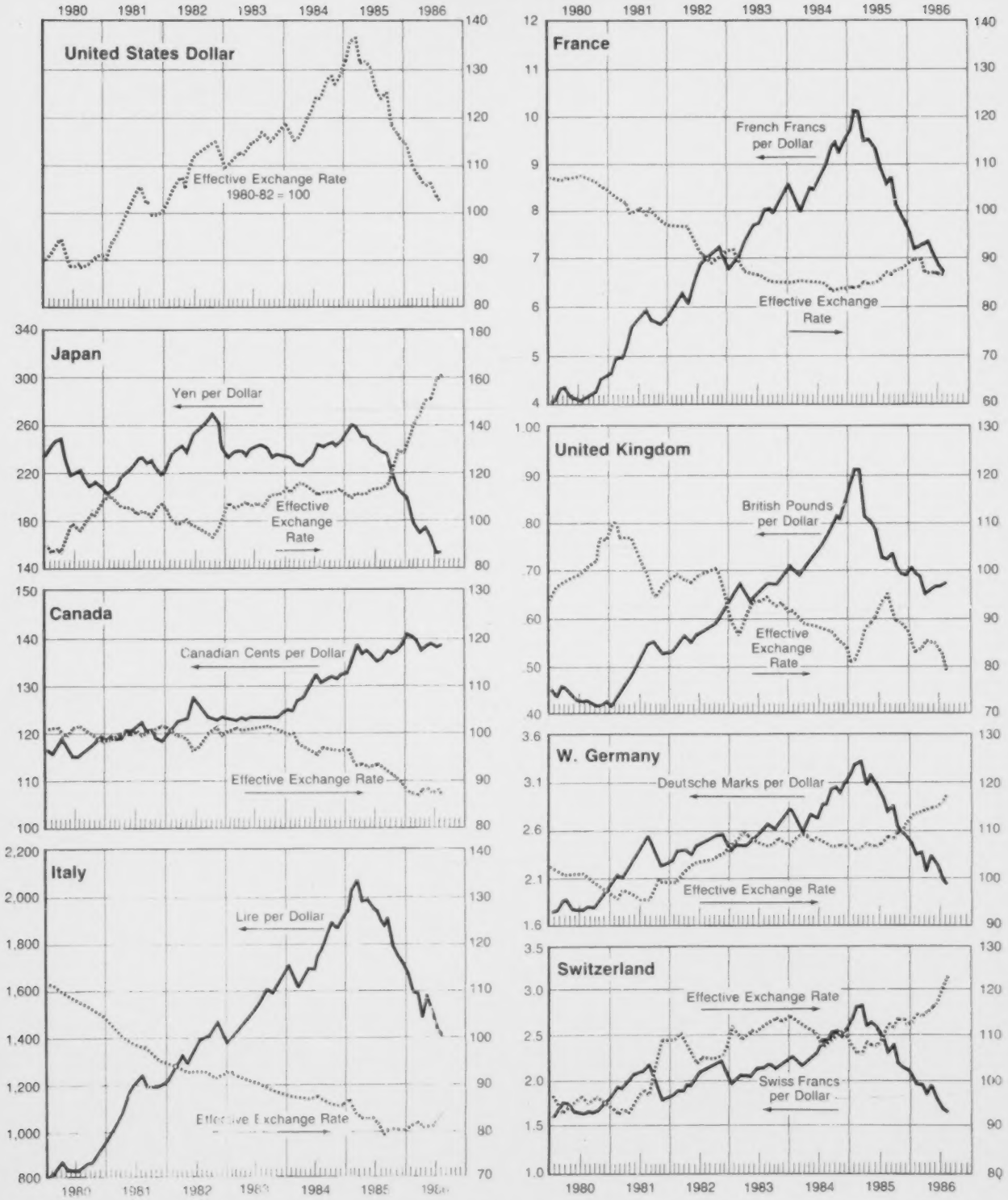
MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

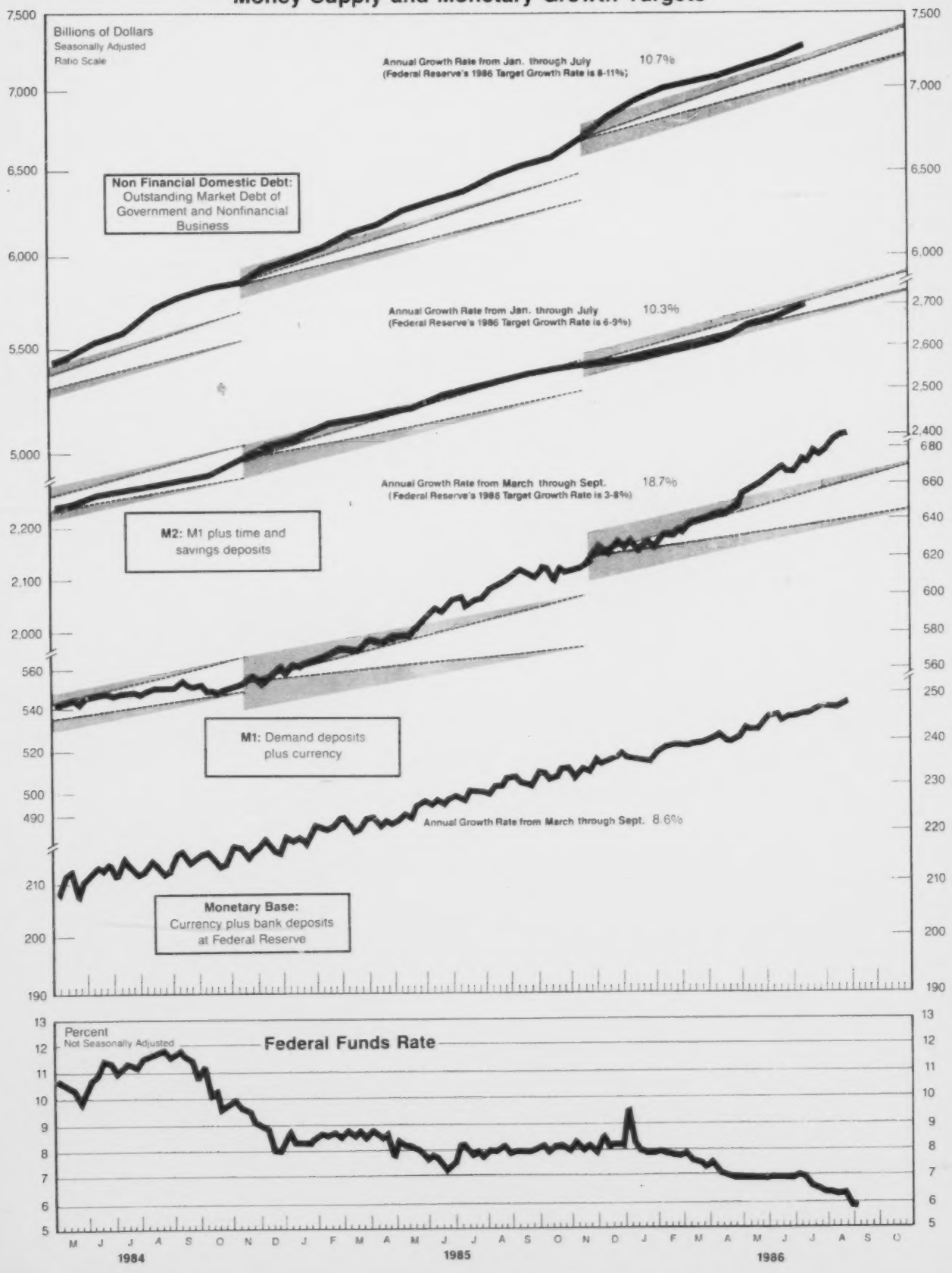
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)
Receipts	**$ 777.1**	**$ 778.7**	**$ 850.4**	**$ 849.9**	**$ 933.2**	**$ 928.1**
Outlays	**979.9**	**983.5**	**994.0**	**1,009.7**	**1,026.8**	**1,060.3**
Deficit	**-202.8**	**-204.7**	**-143.6**	**-159.7**	**- 93.6**	**-132.3**
Receipts by source	**$777.1**	**$778.7**	**$850.4**	**$849.9**	**$933.2**	**$928.1**
Individual income	353.7	354.2	386.0	385.0	425.9	422.0
Social security	280.4	280.8	302.8	302.3	335.0	333.5
Corporate income	70.9	72.2	86.7	89.4	101.2	101.2
Other receipts	72.1	71.5	74.9	73.2	71.1	71.4
Outlays by function	**$979.9**	**$983.5**	**$994.0**	**$1,009.7**	**$1,026.8**	**$1,060.3**
National defense	265.8	269.5	282.2	296.7	299.1	316.6
Social security	268.8	267.9	282.4	282.2	302.1	303.1
Income security	118.1	119.6	118.4	119.5	123.1	123.7
Health	35.7	35.6	35.0	35.1	36.7	36.8
Veterans benefits	26.6	26.7	26.4	26.5	26.9	26.9
Education & manpower	30.7	30.8	27.4	27.3	26.3	26.5
Transportation	27.1	27.5	25.5	25.6	24.1	24.3
Agriculture	25.9	30.4	19.5	21.9	19.7	23.5
International affairs	17.1	17.1	18.6	16.5	18.3	17.5
Natural resources	12.9	12.8	12.0	12.0	11.8	11.9
General science	8.9	8.9	9.2	9.1	9.3	9.4
Justice	6.8	6.8	6.9	7.1	7.0	7.2
General government	6.3	6.0	6.1	6.2	5.7	6.4
Community development	7.9	7.9	6.5	6.3	5.5	5.4
Commerce, Housing credit	3.8	4.2	1.4	3.1	3.8	4.3
Energy	4.4	4.2	4.0	4.4	4.5	4.1
Revenue sharing	6.2	5.8	1.7	1.7	1.8	1.8
Interest	142.7	139.8	148.0	144.7	145.1	152.7
Allowances	0.0	0.0	0.7	0.7	2.3	2.3
Offsetting receipts	-35.2	-37.7	-38.1	-36.8	-46.4	-44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,274.0**	**$4,269.0**	**$4,629.0**	**$4,583.0**	**$4,995.0**	**$4,930.0**
Constant (1982) Dollar	**3,695.0**	**3,688.0**	**3,842.0**	**3,803.0**	**3,996.0**	**3,928.0**
Percent change in						
Current dollar	7.0%	6.9%	8.3%	7.3%	7.9%	7.6%
Constant (1982) dollar	3.4	3.2	4.0	3.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	4.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	6.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Annual Growth Rate from Jan. through July 10.7%
(Federal Reserve's 1986 Target Growth Rate is 8-11%)
Non Financial Domestic Debt: Outstanding Market Debt of Government and Nonfinancial Business
Annual Growth Rate from Jan. through July 10.3%
(Federal Reserve's 1986 Target Growth Rate is 6-9%)
Annual Growth Rate from March through Sept. 18.7%
(Federal Reserve's 1986 Target Growth Rate is 3-8%)
M2: M1 plus time and savings deposits
M1: Demand deposits plus currency
Annual Growth Rate from March through Sept. 8.6%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
1984
1985
1986

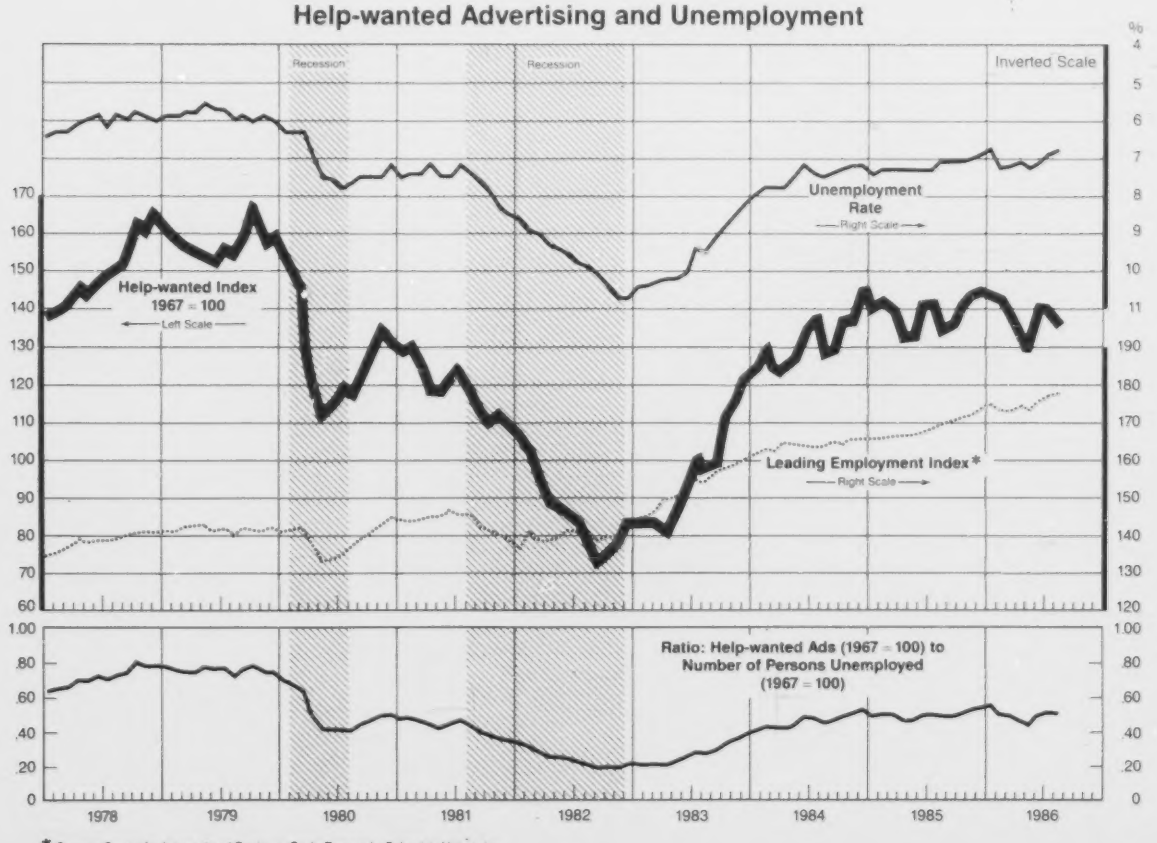
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1986 July	1986 June	1986 May	1985 July
National Index	140	141	128	141
New England	169	171	157	156
Boston	172	178	164	167
Hartford	178	171	164	158
Providence	153	148	125	116
Middle Atlantic	81	80r	71	71
Albany	187	192r	182	176
Allentown	279	249	197	213
New York	62	62	57	54
Philadelphia	74	72	59	64
Pittsburgh	86	83	75	75
Rochester	84	86	77	88
Syracuse	N.A.	N.A.	N.A.	127
East North Central	94	96	86	90
Chicago	103	101	89	101
Cincinnati	148	153	140	132
Cleveland	66	67	56	63
Columbus	157	163	144	131
Dayton	87	97	82	81
Detroit	61	65	64	64
Gary	124	140	125	120
Indianapolis	105	109	101	89
Milwaukee	65	57	52	59
Toledo	113	122	114	112
West North Central	95	94	82	93
Kansas City	172	169	129	164
Minneapolis	72	65	63	71
Omaha	116	121	108	112
St. Louis	65	70	65	67
South Atlantic	194	203r	177	183
Atlanta	274	289	251	285
Baltimore	233	249r	195	221
Charlotte	161	159	145	140
Jacksonville	228	221	217	210
Miami	87	87	77	72
Richmond	143	149	137	122
Washington, D.C.	182	192	167	167
East South Central	163	152	143	154
Birmingham	164	161	152	156
Knoxville	206	203	212	194
Louisville	92	90	80	95
Memphis	128	137	126	110
Nashville	260	206	190	250
West South Central	170	175	163	247
Dallas	186	196	187	340
Houston	219	217	200	299
New Orleans	107	109	95	111
Oklahoma City	105	117	108	145
San Antonio	159	166	167	206
Tulsa	126	130	117	153
Mountain	278	292r	269	330
Denver	187	172	157	223
Phoenix	383	439	410	461
Salt Lake City	304	319r	285	353
Pacific	203	203	192	198
Los Angeles	140	141	136	144
Sacramento	400	378	279	383
San Bernadino	242	228	217	217
San Diego	461	464	457	431
San Francisco	208	212	202	203
Seattle	198	198	189	182
Percentage of papers with rising volume	39	96	27	39
Unemployment rate	6.9	7.1	7.3	7.3

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0	97.2	97.2	95.5r	90.2p				

Buying Plans Index

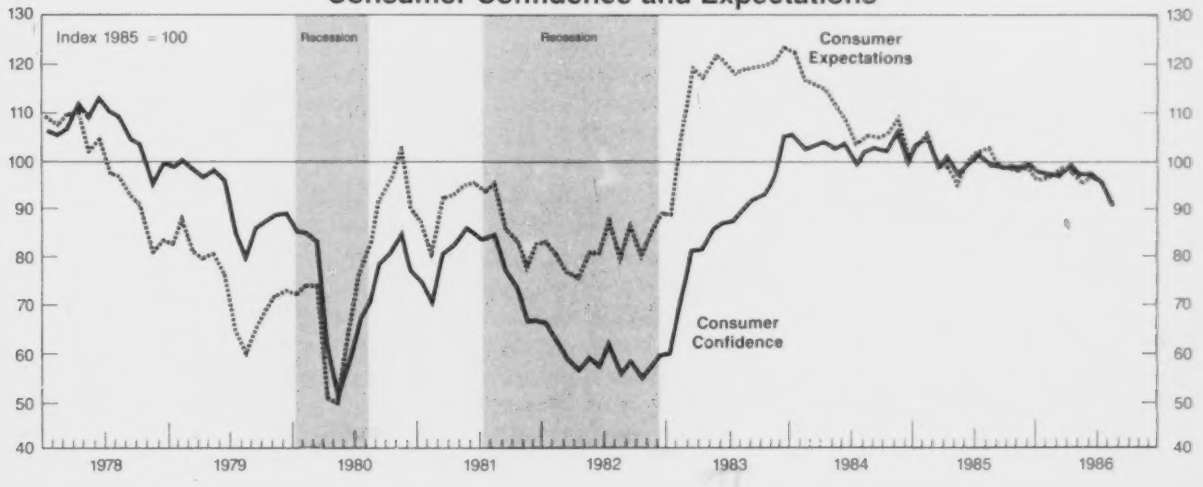
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3	108.9	114.4	103.7r	109.7p				

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

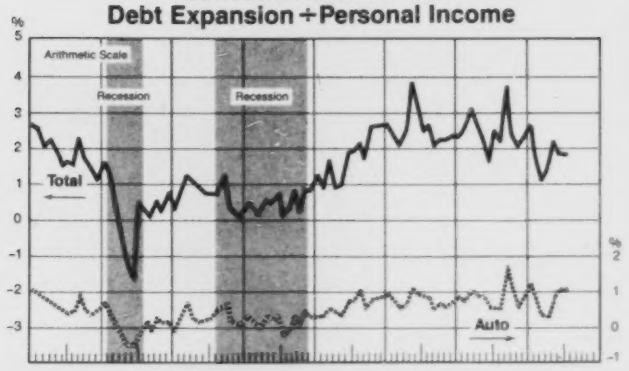
p—preliminary r—revised

Consumer Confidence and Expectations



ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion + Personal Income



Retail Sales

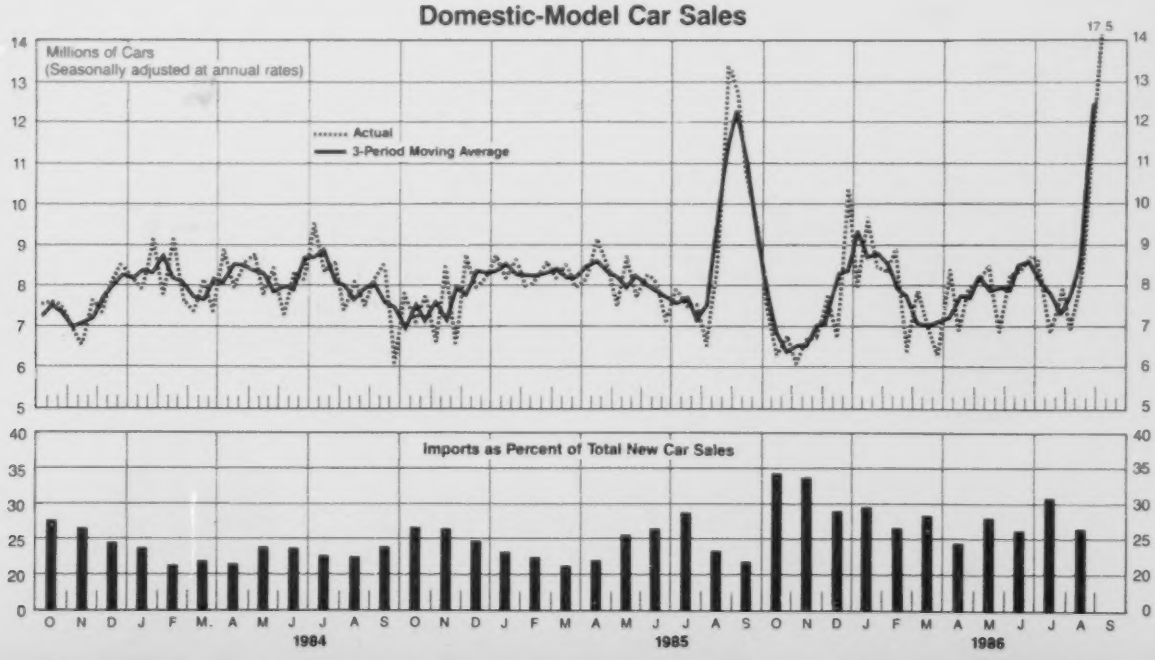
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January:	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February:	1-10	5.86	7.79	7.97	8.32
	11-20	5.30	9.17	8.04	8.93
	21-28(29)	6.07	7.60	8.58	6.38
March:	1-10	5.61	7.35	8.14	7.81
	11-20	6.10	8.13	8.44	6.99
	21-31	6.19	7.35	7.94	6.24
April:	1-10	6.69	8.88	8.16	8.39
	11-20	6.52	7.96	9.12	6.97
	21-30	6.35	8.60	8.46	7.96
May:	1-10	6.67	8.75	7.45	8.13
	11-20	6.30	7.74	8.69	8.49
	21-31	6.97	8.43	7.70	6.86
June:	1-10	7.23	7.22	8.21	8.27
	11-20	7.34	8.25	8.02	8.38
	21-30	7.28	8.10	7.16	8.71
July:	1-10	7.25	9.51	7.89	8.59
	11-20	7.36	8.32	7.47	6.89
	21-31	7.43	8.59	7.53	7.92
August:	1-10	7.39	7.33	6.47	6.95
	11-20	6.11	8.07	8.39	8.28
	21-31	6.65	7.43	13.29	11.70
September:	1-10	6.26	8.13	12.76	17.47
	11-20	7.21	8.52	10.63	
	21-30	6.55	6.03	9.49	
October:	1-10	7.52	7.83	7.44	
	11-20	7.56	7.07	6.27	
	21-31	7.45	7.70	6.75	
November:	1-10	6.96	6.60	6.04	
	11-20	6.55	8.44	6.66	
	21-30	7.62	6.57	6.70	
December:	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3-Period Moving Average
17.5
Imports as Percent of Total New Car Sales
O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S
1984
1985
1986